

THE CONSTITUTION OF 1920

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the Federal Government, or from individual members of the Government, they would be thereby removed from office.¹ It was not, however, intended that this weapon should be lightly employed against a Government, for it was stipulated that such a resolution would require a quorum of half the members of the National Council. And, if one-fifth of the members so demanded, the vote could be postponed for two days.² The Government, apart from this somewhat meagre stipulation, had no means of protecting itself against an adverse vote by a chance coalition in the National Council, since it could not confront the National Council with the choice between continued support and a dissolution.

As has been pointed out, the National Council had practically complete control over all legislation. It had also considerable executive functions. By Article 50, political and certain other treaties required for their validity the consent of the National Council. By Article 53, it was empowered to set up by resolution Committees of Inquiry,³ before which all public authorities were obliged to give evidence if required. By Article 54 certain executive duties were specifically made over to the National Council, such as the fixing of the prices of such federal services as railways; the fixing of the prices of monopoly goods; and the fixing of the salaries of persons employed by the State. Apart from these specified cases, it was laid down in Article 55 that the National Council should share in the executive power of the State through its Chief Committee, to which reference has already been made. Kelsen has described this body as the most important political organ of the National Council.⁴ Provision had been made for its election in the constitution of 14 March 1919. Its membership had then been fixed at eleven, whereas by the constitution of 1920

¹ It may be noted that, since it was anticipated that the dismissal of an individual minister by a vote of no confidence should not necessarily involve the resignation of the whole ministry, the cabinet system was not adopted.

² Kelsen comments on this: 'Dass die Wirkung des Misstrauensvotums verfassungsgesetzlich ausdrücklich normiert wird, ist eine Besonderheit unserer Verfassung' (op. cit., vol. v, p. 169).

³ Cf. with Article 34 of the German Constitution, according to which such a committee had to be set up if one-fifth of members so demanded.

⁴ *Jahrbuch des öffentlichen Rechts*, vol. xi, p. 246.

458 Such conditions, combined with the hardships that have
435 already been described, carried with them the danger of serious
465 unrest, and it is fortunate that a method was worked out in
1947 by which wages as a whole could keep pace with the
steadily rising prices. The method, which was used each year
between 1947 and 1951, had its good and bad sides. On the
one hand, it contributed to the steady and controlled nature of
the inflationary process and ensured the harmonious settlement
of the wage question. On the other hand, after the first two
years, when its effects were predominantly good, it accentuated
inflationary tendencies.

The system involved the co-operation of the Government,
the trade unions, and the Chambers of Industry, Agriculture,
and Labour. The representatives of the employers and the
employees in the Chambers and the trade unions worked out,
in consultation with the Government, a general agreement
covering the prices of basic necessities and the wages of the
different classes of workers in all branches of the economy.
The proposals were then submitted to Parliament for approval.

This procedure was only possible owing to the spirit of
co-operation and conciliation called forth by the emergency.
Austria would not have recovered as soon as she did from the
post-War economic crisis had her revival been held back by
serious industrial disputes, and the political consequences of
such disputes would have endangered the country's unity. The
Coalition Government fully realized the position, and its
broad composition fitted it well for a mediatory role. The
employers' representatives and the trade unions were also aware
of the dangers. The common sense and intuition of the
Austrian people led them to support their leaders.

467 The country was fortunate both in the organization of its
trade unions and in the nature of their leadership at the time.
The fact that the Austrian Federation of Trade Unions had
been established on an all-party basis in 1945 was of decisive
importance in the price-wage negotiations. It meant that in
spite of the Socialist preponderance among union members
every party was represented on the workers' side in the dis-

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cussions. Herr Johann Böhm, President of the Federation, revealed himself as one of the big personalities in post-War Austria. Like Ernest Bevin in war-time England, he combined loyalty to the workers whom he represented with breadth of outlook and courageous patriotism. 467

Between the spring of 1946 and the summer of 1947 wages followed prices upwards in a dangerous spiral movement, though they lagged slightly behind prices and were in reality still farther behind owing to the need to purchase food on the black market. Yet the prices charged for such public utilities as gas, electricity, and transport were below the level that production costs justified. And official food prices were unreasonably low, whether judged by world levels or by the cost of producing home-grown food. The two main purposes of the First Price-Wage Agreement were to check the spiral movement, which showed signs of getting out of control, and to make an adjustment in wages to allow for the higher food prices and public utility rates that were approved at the same time. 458
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The Agreement took effect on the 1st of August 1947. Food prices were raised on an average by 58 per cent, while the rise in public utility rates varied from 50 to over 100 per cent. Wage and salary increases varied considerably between different categories. But, on the whole, salaried employees obtained less than wage-earners, and skilled workers less than unskilled; that is to say, the poorer paid received the greater proportionate increases. In addition, on the 1st of August the Government decided on certain tax-relief measures for those with small incomes. This levelling tendency was a characteristic of all the Price-Wage Agreements except the last. It was justified as a protective measure, when the total supplies available to the Austrian people were scarcely sufficient to cover their basic needs. But it reduced incentive to workers to earn promotion to a higher wage category by their own efforts and became less defensible, as economic conditions improved. 435
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By the terms of the Agreement, individual trade unions renounced their right, while it lasted, to take independent action

435 to increase wages. But it was recognized that the Federation
465 of Trade Unions could terminate the Agreement, and demand
higher wages, if at any time the cost-of-living index should
rise more than 10 per cent above the wage-rate index. Actually
this state of affairs occurred within three months, but currency
reform was then imminent, and the trade unions decided to
continue the Agreement. In the end it lasted for just over a year
and performed a valuable service at a critical time.

When the year was over the cost of living had risen by an
additional 15 per cent, and the Government was anxious to
abolish some of its food subsidies, a procedure which would
have the effect of raising it still farther. There had, however,
been some progress towards economic recovery, and the
national income was rising. In order that wage rates should
keep pace with these two tendencies, the Second Price-Wage
Agreement was made in September 1948. Government sub-
sidies for meat, milk, and fats were removed. At the same
time wages and salaries were increased by 6 per cent. A flat-
rate food bonus of thirty-four schillings a month was given to
every employee by his employer, and a family allowance of
twenty-three schillings a month was paid for every child by
the State. The policy of equalizing incomes was much less
marked than in the First Agreement, but the introduction of
the flat-rate bonus carried the levelling process one step farther.

The Third Price-Wage Agreement of May 1949 was due to
the danger of a serious budget deficit. It was a much more
complicated measure than the first two and involved the
introduction of additional taxes and of an important piece of
social legislation.

Railway and tram fares, postal charges and the cost of gas and
electricity were all increased. Social insurance contributions
were raised and higher taxes imposed on income, capital, and
purchases. Government subsidies on coal, potatoes, and grain
were abolished.

[45] To gild the pill as far as possible and offset in some measure
the rise in living costs a series of concessions were made. An
adequate system of old-age pensions for workers was intro-
duced.

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duced. In place of the food bonus a flat-rate increase in wages and salaries of thirty groschen an hour or sixty schillings a month was introduced, on top of which there was to be a further $4\frac{1}{2}$ per cent rise. Children's allowances were to be raised to thirty-seven schillings a month. The combined effects of the increased taxes and the various concessions, on this occasion, were strongly levelling in tendency. Medium incomes were particularly hard hit, and in some cases net incomes were actually reduced at a time when the cost of living went up by at least 14 per cent. But nobody came off very well. Even in the case of the average worker's family the net rise in wages was little more than half the percentage increase in the cost of living.

The comprehensive nature of this Agreement and the fact that it was the third in three years suggested the danger that it was a device to which the Government might resort to solve all its financial problems. Certainly at this stage the economic disadvantages of the system began to outweigh the advantages. The Agreements regulated, but did not check, the inflationary process, and producers and consumers now began to reckon on rising prices. The habit of saving, which heavy taxation had already made almost impossible, was thus positively discouraged.

For a short period during the first half of 1950 prices began to fall, but with the outbreak of the Korean War in June rising prices again became a problem. There were two other reasons for the Fourth Price-Wage Agreement, which was approved in September 1950. In preparation for the end of Marshall Aid in 1952 the Economic Co-operation Administration wanted to remove the ERP subsidies on Austrian imports. Secondly, the farmers justifiably demanded that a higher price should be fixed for bread-grains, which were being sold at two and a half times the pre-War price, although the cost-of-living index was nearly five times as high as in 1938. The demand was not popular, as the farmers on the whole had suffered a good deal less than other sections of the community. But unless some adjustment were made there was no hope of increasing home

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435 production of bread-grain, and the farmers would continue to feed it to their animals.

The Agreement came into force on the 1st of October. ERP subsidies were reduced by more than a half, and higher prices were fixed for wheat, rye, and sugar-beet. To compensate for the increased cost of living, all wages and salaries were raised by 10 per cent, with a minimum rise of 100 schillings a month for the lower categories; pensioners received an extra fifty schillings a month and children's allowances went up to sixty schillings. This time special provisions were again made for the lowest-income groups, and it was intended that the main burden should fall on industry and the State.

The fifth and final Price-Wage Agreement was made in July 1951 and was one of the most comprehensive of the series.

In the first place, it carried a stage farther the programme of the previous Agreement. The new prices fixed for agricultural produce in 1950 were the result of a compromise and still did not prevent farmers from using bread-grains as feeding-stuff. Increases were approved in the prices of wheat, rye, and milk, and these in turn led to a rise in the cost of butter, cheese, and flour. ERP subsidies on imports were removed altogether. One of the general results of the Price-Wage Agreements had been to bring Austrian prices nearer to world price-levels. This process was not yet complete, but in future such subsidies as were retained were borne by the Austrian budget and were therefore in no danger of being taken for granted by the Government.

The Agreement raised the rates charged by most public utilities, including railway and tram fares, postal and telephone charges. Social insurance contributions were also increased.

As compensation for the higher cost of living, wages were raised by 10 per cent, with a minimum rise of 140 schillings a month. Children's allowances went up to 105 schillings, and pension rates were increased.

The slight levelling tendency of these adjustments was more than offset on this occasion by certain provisions of the Agreement, which attempted to restore in some measure the former

differentiation between wages and salaries that previous Agreements had progressively diminished. The increase rate for salaries at 12 per cent was slightly higher than that for wages. Furthermore, something was at last done for the long-suffering class of administrative Civil Servants, whose vital contribution to Austrian recovery had so far been rewarded only by measures discriminating against them. Their salaries were raised by rates varying from 28 to 58 per cent, with the highest increases going to the senior officers. But it must be remembered that these gross increases would be considerably reduced, especially at the higher levels, after taxation had been deducted.

All the Price-Wage Agreements had one thing in common: they tried to redistribute an inadequate national income during a period of inflation and at the same time give rise to a minimum of discontent. But the fact remained that there was not enough to go round, even judged by the low standards of the difficult years between 1918 and 1945. Each of the Agreements achieved something of value, especially the first two, but each was a kind of conjuring trick in which the Government tried to make everyone happy when the conditions for material satisfaction were absent. The trick was never more than temporarily successful, and it grew stale with repetition. Furthermore, the audience, who had no alternative but to watch, began to take precautionary measures that progressively reduced the conjurer's chance of a successful performance.

This weakness became unmistakably clear during the months that followed the Fifth Agreement. The increase in salary and wage rates very soon led to an alarming rise in prices at a time when world prices had become comparatively steady. Between the outbreak of the Korean War and November 1951 the cost-of-living index in Austria rose by about 50 per cent, compared with about 11 per cent in England and Germany, 9 per cent in the United States, and 7 per cent in Switzerland. In fact the attempt made in the Fifth Price-Wage Agreement to combine the removal of subsidies with raising incomes all round simply did not make sense. The higher wages and salaries soon led to a further rise in prices, and within a few

- 465 months the real incomes of most Austrians were slightly lower
435 than they had been before the Agreement. Such a development was the inevitable result of the abolition of foreign subsidies, and no amount of conjuring could prevent it. The Agreement did, however, have the harmful effect on Austrian exports that has already been described and that could have been avoided.

This situation was part of the background against which many Austrians decided that the time had come for the Government to adopt a new economic policy and against which the new Ministers of Trade, Finance, and Agriculture took office. The only way for Austria to raise her standards of living, now that foreign aid was coming to an end, was to produce more and strengthen the competitive power of Austrian goods in world markets by increasing productivity.

Yet a final judgement on the Price-Wage Agreements cannot be reached if they are regarded from an economic standpoint only. Their social and political consequences were of no less importance.

On Austrian society as a whole the Agreements had both good and bad effects. Their general tendency to equalize incomes by a levelling-up process was reasonable in the circumstances. At a time of desperate national shortage something had to be done to ensure that the barest needs of the lowest-income groups were satisfied. So far as organized workers were concerned, this result was achieved. But there were other poorly paid categories whose needs were largely or entirely neglected, such as young professional men and women and retired civil servants with small pensions. In December 1948, after the first two Agreements, the incomes of unskilled industrial workers had risen by 350 per cent since April 1945, while the figures for retired civil servants varied between 51 and 114 per cent. These anomalies, together with the injustices resulting from the currency laws, were not only wrong in themselves but, on a long view, constituted a threat to the whole structure of Austrian society.

The political results of the Agreements can be assessed more

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decisively. With all their faults, they ensured the smooth transition of the economy through an exceedingly difficult period. Production and the slow, laborious process of recovery were not held up by strikes. Nor were the opponents of true democracy in Austria given any encouragement to hope that Austrian workers would turn to totalitarian solutions through desperation. The relationship maintained by the Agreements between the cost-of-living index and the wage-rate index was a fiction, because basic necessities could not all be bought at the official prices on which the cost-of-living index was based. But in the circumstances it was a necessary fiction, and the workers were at least justified in their belief that the Government, the employers, and the trade unions were working together to achieve the justest solution possible. Perhaps most important of all, the Agreements were made possible owing to a sustained joint effort between Right and Left, between trade unions and employers, which was in marked contrast to the bitter hostility of pre-War years and was an educative experience of incalculable importance for the political future of the country.

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166 town offers. But there were a number of special reasons to which the post-War trend in Austria can be attributed. The comparative neglect of Austrian agriculture by the Nazis and the discriminatory nature of Austrian social legislation, before the Law of 1948 was passed, have already been mentioned. In addition, the accommodation provided for agricultural labourers was most unsatisfactory. On the majority of farms there were no dwellings at all for married workers, and the rooms provided for single men were frequently quite inadequate. Agricultural wages lagged far behind those paid in industry. At the end of 1948 they varied between 127 and 203 per cent above the 1945 level, while the wages of an unskilled industrial worker had risen 350 per cent. It is true that the farm worker had virtually no food problems and also received payments in kind, but the comparison with industry was a natural cause of discontent. Furthermore, the boom in building and construction work due to war damage and the large undertakings financed by ERP funds provided attractive opportunities of alternative employment, often near enough to agricultural areas to attract the labourers' notice.

645 The Ministry of Agriculture and Forestry realized the danger of the situation and evolved, somewhat tardily, a comprehensive programme to deal with it. The new Minister, Herr Thoma, who took office in January 1952, brought fresh energy to his department and issued a forceful memorandum on the subject the following summer.

466 The first important step taken was the Agricultural Labourers' Law of 1948. It did a great deal to raise morale and, by strengthening the workers' organization, ensured that their point of view would be heard. The establishment of Agricultural Workers' Chambers in most provinces contributed to the same result. The price increases for agricultural products approved by the Fourth and Fifth Price-Wage Agreements also improved the general situation.

362 Between 1947 and 1951 Government and ERP subsidies amounting to 55 million schillings were spent on agricultural housing, and 10,371 dwellings were completed, including

565 during the inflation and devaluation that followed the two Wars. But until quite recently their dislike of any organized protest remained.

During the whole series of Price-Wage Agreements, except the last, these people were discriminated against consistently. In the grave national emergency it was right that the better paid of them should be called on to make great sacrifices, though the process was carried too far, but in the case of the worse paid the discrimination was never just. The wage-earners were catered for adequately in the circumstances. The incomes of landowners and industrialists participated, in varying degrees, in the inflationary process, and their earning powers remained. But the categories in question suffered both from devaluation and State neglect. The situation therefore arose in which a young surgeon or research worker might receive a fraction of the income of a wage-earner of the same age whose hours of work were considerably less.

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465 The incomes of academic workers were so low by world standards that there was the strongest temptation for them to emigrate, and it was almost impossible to persuade foreign professors to fill Austrian chairs. At the end of 1951 the net salaries of Austrian professors varied between 3,489 schillings (\$163.34) a month¹ for the most senior and 1,866 schillings (\$87.31) for the lowest paid. The Privatdozent, or lecturer, member of a traditionally neglected class in Austrian and German universities, got no salary, but received lecture dues amounting on an average to 540 schillings (\$25.28) a year, which might just cover his tram-fares. The starting salary of school teachers in 1951 was less than three times the 1937 figure and the final salary less than twice the amount, which meant that the teacher's standard of living had fallen by more than 50 per cent since pre-War days.

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465 As regards administrative civil servants, in March 1951, before the Fifth Price-Wage Agreement, the increase in their net salaries since 1946 varied between 120 and 180 per cent,

¹ Calculated at the commercial rate of 21.36 schillings to the dollar. The foreign visitor to Austria normally obtains 26 schillings to the dollar.

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while the cost of living had risen during the same period by more than 400 per cent. This state of affairs applied not only to the top ranks, but to those with salaries of less than 1,000 schillings a month, who were therefore in lower-income groups than many wage-earners who had been adequately cared for by the Price-Wage Agreements. 647 465

Two examples will illustrate the position of certain highly qualified groups in industry and the professions.

The discrimination against some salaried industrial employees with most valuable technical qualifications has been carried to foolhardy lengths, especially in the nationalized industries, and has aroused the indignation of enlightened managers and directors, whose political opinions put their loyalty to the principle of nationalization beyond question. In one of Austria's greatest industrial enterprises the engineer in charge of the main productive process, who has saved the management millions of schillings a year by his technical knowledge and initiative, was earning less in 1952 than a number of his own labourers. Were such a man to emigrate even to Western Germany he could easily obtain many times his present salary. He is only prevented from doing so by patriotic sentiment, interest in his work, or sheer lack of money to cover the cost of moving. But Austria's need of such men is as great as any country's in the world. 465

A second example is provided by the case of the 'guest doctors' in Austrian hospitals. The title was given to newly-qualified doctors in need of experience, who were employed by hospitals without any remuneration. This form of exploitation was possible owing to the large number of medical students, but in the many cases where the 'guests' played an essential role in the running of the hospitals it was quite inexcusable. In 1947 there were several hundred 'guest doctors' in Vienna, and by the summer of 1951 the number had risen to 700. The salaries received by young doctors were at best very low, and as a result there was a tendency for some of the ablest of them to emigrate. The loss of outstanding talent in this way is especially damaging to a country whose capital in 759

759 the past has had a great reputation as a centre of medical studies.

During the last two or three years an increasing number of Austrians, belonging to both the main political parties, have become aware of the danger of these developments, and certain palliative measures have been taken on a piecemeal basis.

759 In 1950 the salaries of qualified medical assistants were raised from the miserable scale of 200 to 300 schillings (\$9.36 to \$14.04) a month to the still quite inadequate scale of 310 to 390 schillings a month, and very small extra payments were made for night work. In the summer of 1951, as a result of determined protests and a public demonstration by the 'guest doctors', the Minister of Finance agreed to fifty of them being taken on as paid medical assistants in Viennese hospitals.

875 University professors were given allowances for the purchase of books and certain minor concessions regarding taxation. 465 Lecturers obtained research allowances of 165 schillings a month. And in connexion with the Universities of Vienna, Graz and Innsbruck special accommodation was built to relieve the housing shortage from which many professors were suffering. Since the War students' fees at Austrian universities have been extremely low and until recently averaged between 160 and 200 schillings a year. To increase the normal remuneration of the professors, the Government agreed in the autumn of 1952 that the fees should be trebled, and, in deference to the students' protests, undertook temporarily to bear the whole cost, until a final settlement could be negotiated for the following summer semester. Yet, in spite of these various measures, the net salary scale for professors at the beginning of 1953 ranged from 4,530 to 2,255 schillings (\$212.08 to \$105.57) a month. The net monthly salaries of school-teachers varied between 2,561 and 1,079 schillings (\$119.89 to \$50.51).

647 As has been seen, the Fifth Price-Wage Agreement improved the position of the administrative civil servants. By the 465 summer of 1951 the cost of living had risen by over 470 per cent since 1946. The civil servants asked that their salaries

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should be brought up to 350 per cent above the 1946 level, but owing to the opposition of the Finance Ministry and the trade unions the increases they were given by the Agreement only amounted to a 270 per cent improvement on the 1946 figure and within a few months were largely offset by the substantial rise in prices that followed. The 12 per cent increases received under the Agreement by salaried employees in industry, compared to the 10 per cent increases given to wage-earners, made very little difference to their depressed condition. 647 465

In fact, although these various measures revealed a changing attitude on the part of the authorities towards the whole problem, they were quite insufficient to bring an end to the inherent dangers of the situation. Neglect of the economic position of civil servants and academics is a common disease of States in the twentieth century. But few States are suffering from it so seriously as Austria, and fewer still are so vulnerable to its effects. Austria is faced with complex and stubborn political problems. Her cultural and economic contribution to the world since 1918 has been based on quality, not quantity. It is therefore of vital importance to her future that her civil service should continue to attract men of great ability and that her high intellectual standards should be maintained. The pride and devotion of her public servants and academic class have been exemplary in recent years, but they cannot without deterioration stand up indefinitely to the inordinate strain that is being imposed on them. 060

INTRODUCTION

121 In my capacity as Foreign Consultant to the Library of Congress, I attempted to provide in this study a report on Austria's postwar economic problems accompanied by a short survey of the Austrian economic theory and related literature.

647 The survey deals with the reconstruction of Austria in the period from 1945 until 1952, and the major economic elements and features sponsoring the reconsolidation of the country are considered. The ideological reflections elaborated therein are the result of those basic decisions which had been shaped within the scope of the Ministerial Committee for Economic Questions, which is a sub-committee of the Federal Austrian Government. The Ministerial Committee for Economic Questions is a joint bipartisan committee consisting of representatives of the Austrian People's Party and of the Socialist Party of Austria and functions in accordance with the constitutional rules of the Austrian Federal Government. Consequently, resolutions made by it require in each case unanimous vote of its members. Built up on this fundamental basis are the big investment programs of the Austrian Federal Government, which have been carried through during the last years, particularly after the ERP Program started. These programs are set up by the ERP Central Office of the Federal Chancellory in permanent consultation with the competent Ministerial Departments and the interested parties of industry, trade and commerce before a definite decision is taken by the Ministerial Committee for Economic Questions, whence they are reforwarded to the respective sections of the ECA Service.

415 As regards the five agreements about wages
436 and prices reached in the years from August 1947,
652 they were negotiated and passed as a result of common deliberations between the various interested economic associations (Federal Chamber of Industrial Activities, the Chamber of Agriculture, Labor and Trade Union), whereby, in this sector which is so important to the whole economy of the country, a middle line was maintained and the political interests coordinated as far as possible. In this connection it might be considered that all political parties agree in the view that the real wages and salaries of the workers and employees should be maintained, thus

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435 preventing a disastrous decline in the buying power
445 of the broad classes of the population. The unavoid-
652 able adjustment of certain distortions in prices as
well as the entire stabilization of wages and prices
was undertaken on the basis of the economic, budgetary
and credit policy. This applied also to the coordina-
tion of prices of specified agrarian products which,
in the general development, have to a large extent re-
451 mained below an adequate level. These adjustments were
652 intended chiefly to insure an utmost favorable develop-
ment of savings deposits and the initiated investment
program without intensifying inflation. The promotion
of capital accumulation, thereby encouraging the influx
of new savings capital to the banks and institutions,
and the systematic consolidation of capital reserves
of the insurance companies and of the social insurance
institutions will, particularly in Austria, gain special
importance in the coming years. As a consequence of the
elimination of the counterpart funds and of the relative
slow reflux of the means invested, resulting in limited
possibilities of rediscount with the National Bank, the
necessarily long-postponed replacement of the long-term
and expensive bank credit to the capital investment
market has been initiated. Expressed in other words
this means that the reconstruction of the capital basis
of economy, by opening the cheaper sources of financing
offered by the capital market, should facilitate new
short and middle-term credits and consolidate long-term
credits which had previously been granted (especially
investment and reconstruction credits). It should also
contribute to an improved competition of Austrian pro-
ducts on the world markets through an adequate reduction
of one of the chief factors of the basic cost price,
i.e., credit procurement.

435 All measures of an economic-political nature
652 which are taken, however, are not applied in a purely
dogmatic way. They are effected within the ideology of
the two big political parties of Austria and thus of
the Federal Government which is sustained by the coali-
tion in power. It might be explained that the economic
political measures described in the following survey are
approved in principle by both of the leading political
parties, though it may be that they differ somewhat as
to the means and methods of reaching determined aims of
political economy.

435 The problem of increasing economic productiveness
433 receives particular attention from the Austrian
Federal Government and the Austrian Productivity Center.
Labor and management are equally represented in this

457 created a new situation. As a result of this de-
652 valuation process, the Federal Government, in November 1949, decreed a reorganization of the foreign exchange market. This was intended to be the first step towards the establishment of a uniform exchange rate system. The official rate of exchange, henceforth called the basic rate, was increased from 10 to 14.40 schillings per 1 U. S. dollar (in accordance with the devaluation of the English Pound Sterling). At the same time a variable premium rate of exchange, presently fixed at 26 schillings to 1 U. S. dollar, was established. Exporters were required to give up 40 per cent of their foreign exchange proceeds at the basic rate. The remainder they could retain for payment of their imports within a period of 60 days or could offer to the Austrian National Bank at the premium rate. Goods to be imported were classified into three groups. Those listed in schedule A were imported at the basic rate of exchange, those listed in schedule B at a mixed rate (21.36) and those appearing in schedule C at the premium rate. Goods imported within the scope of the ERP, commodities to be disposed at prevailing cheaper price levels, were grouped with the mixed rate. Service charges and capital transactions were dealt in at the premium rate.

457 There remained, however, a conspicuous dis-
435 crepancy in the import exchange rates which introduced
• 465 disturbances into the cost-price structure of the eco-
652 nomy, and these in turn influenced living costs and wages.

[644] Upon recommendation of the International Monetary Fund, a unification of the exchange rates had been considered at the time the multiple exchange rate system was promulgated, i.e., during November 1949. At the
[654] same time, and in order to ease budgetary strains, the system of subsidizing essential commodities like food, coal and agricultural necessities (which up to now had been sold at cheaper levels because of the ERP imports or imports financed under the basic rate of exchange) had to be substantially curtailed. Since any increase in the prices of grains and grain products was likely to impair living costs and wages, difficult situations arose. As a result of the changed price and wage relations, certain price and wage adjustments as well as a partial reduction of subsidies (covering sugar, coal and agricultural products) had already been promulgated in 1947, 1948 and 1949. After due consideration between political representatives and economic interests, a fourth price and wage agreement was enacted on September 27, 1950.

IV. AUSTRIA'S ECONOMIC POSITION IN 1951

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The following points are characteristic of the economic trends in 1951.

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1. In the monetary field: the tendency in the world economy toward forcing reductions in the credit policy; the figures will be rounded-up by an increase of the bank rates toward the end of the year;

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2. In the budgetary field: the approaching end of ERP aid makes it necessary to reduce the price supports still existing;

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3. In the field of investment policy: a reasonable balance between the investments of the production goods sector and the consumer goods sector is to be prepared; by increasing the offer of goods ready for consumption and export the imbalance in the balance of payments will be overcome as rapidly as possible;

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4. In the field of foreign trade: the shortage of raw materials and the existing discrepancy between the trade and foreign currency balance (deterioration of the exchange rates) make special laws and measures necessary to promote exports;

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5. In the field of prices and wages policy: certain discrepancies in prices, especially in the agricultural sector, make necessary adequate adjustments as well as improvements of real income of wage earners to the level of higher prices;

6. In the field of production and productivity: a general increase of the capacities and the extent of capacities, is necessary between the social partners and the abolition of burdens which prevent an increase in production. Adequate relations should be created.

A. International Economics and Austria's Reaction

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A glance at the representative statistics prove that international development proceeded along quite different lines in 1951 than was expected at the beginning of the year. The steep rise of prices for raw materials, especially those of wool, tin, rubber, which started from the beginning of the Korean crisis have created an ever-increasing inflationary tendency.

435 3. The tariffs of the public corporations (Federal
656 Railway, Posts, Tramways) as well as the prices for
[650] current were increased from 20 per cent to 100 per
cent to keep pace with the prices on the world market
which had increased due to increases in cost (especial-
ly the price of coal); the trend toward a deficit in
the Federal Railway and public service enterprises
had to be checked. In spite of these considerable in-
creases, these price rises were only three to five
times as high as the level of 1937.

• [465] 4. On the basis of the newly calculated producer
and import tax prices, new retailer prices were worked
out; to balance this rise every receiver of gross
wages received an additional income of from 10 per
cent to 12 per cent per month, but at least a minimum
of 140 schillings. For persons in the public service,
special measures were taken on the ground of the so-
called "Gehaltsüberleitungsgesetz."

[651] 5. Finally, in immediate connection with this
agreement a number of taxes and duties were altered:
progression of the taxes on wages and incomes; a change
in the rates of the mineral tax; a change in the con-
tributions of the employers to the balance funds for
charitable relief; a change in the turnover-tax; on
the grounds of the law of adjustment of social insurance
of 1951, the basis of the maximum contributions to
social security were changes.²

248 The most remarkable progress within the scope
[654] of this agreement, however, was (as already mentioned)
the reduction of subsidies. As is known, the individual
ERP countries obligated themselves in the bilateral
economic agreements (Austrian agreement, August 2,
1948) toward the USA to pay the full value of the Ameri-
can relief deliveries in the currency of the recipient
country on a special account (counterpart accounts).
These accounts should be disposed of by the individual
governments in accordance with the approval of the ECA
to cover, as a rule, the financing of productive in-
vestments and to support currencies. The utilization
of these means for financing for consumer goods should
be limited as far as possible, although this had been
tolerated in the beginning to raise the general standard
of living. The purpose of this limitation was not to
prolong the dependence upon foreign aid which was to end
toward the end of June 1952.

457 With regard to the necessary balancing of
652 the balance of payments (the special measures to achieve

1 [i.e., in July, 1951. Cf. cat. 116, p. 97, for rationale--Analyst]
2 [sic, --Analyst]

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same opportunities of quick and cheap buying, found their receipts insufficient to replace their working capital. The tendency towards concentration was thus greatly accelerated in this period. The larger concerns and the banks especially were able to expand at the expense of the smaller enterprises. 458
434

Although money wages rose considerably during the inflation, they lagged greatly behind the cost of living. This was true at least until 1922 when both prices and wages came to be fixed in terms of dollars (and thus rose automatically with every depreciation of the Crown). The following wage indices for certain categories of labour show the deterioration of real wages: 465.
458

INDEX NUMBERS OF WEEKLY WAGE RATES OF WORKERS
IN VARIOUS OCCUPATIONS IN VIENNA 
(1914 = 1)

	Brick-layers	Printers	Joiners	Metal Workers	Tailors	Cotton Spinners	Cost-of-Living Index
1921.							
Dec.	541	385	503	394	338	424	661
1922.							
Mar.	858	617	603	585	666	627	989
June	1,180	935	1,131	810	915	1,477	2,339
July	2,030	1,280	1,290	1,546	1,419	1,419	3,308
Aug.	2,910	3,270	3,019	2,162	4,481	4,675	7,422
Sept.	8,980	6,060	6,570	6,603	5,377	6,358	14,153
Oct.	11,600	7,270	8,333	8,637	7,618	7,714	12,965
Nov.	11,600	7,270	8,333	8,637	7,618	7,188	12,158
Dec.	11,300	7,270	7,666	7,786	7,085	6,837	11,737

Salary earners (such as clerks, teachers, and civil servants) were even worse off than wage earners as their incomes were revised upwards only at rare intervals.

Worst of all, of course, was the position of old-age

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1 [CP CAT 116, p. 35 - - ANALYST]

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